Supreme Court, U.S.
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No. 07-847

In The
Supreme Court of the United States

S. MICHAEL BENDER,

Petitioner,

v.

JON W. DUDAS, Director,
Patent and Trademark Office,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITIONER'S REPLY BRIEF

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TABLE OF CONTENTS

TABLE OF CONTENTS i

TABLE OF AUTHORITIES ii

REPLY BRIEF FOR PETITIONER 1

REPLY TO RESPONDENT'S STATEMENT .. 2

REPLY TO RESPONDENT'S ARGUMENT .. 4

CONCLUSION 12

TABLE OF AUTHORITIES

CASES

Chevron U.S.A. Inc. v. NRDC,
467 U.S. 837 (1984) 1, 6

Elder v. Holloway,
510 U.S. 510 (1994) 11

Goldstein v. Moatz,
364 F.3d 205 (4th Cir. 2004) 6, 8

Goldstein v. Moatz,
445 F.3d 747 (4th Cir. 2006) 8

In re Daniels,
144 F.3d 1452 (Fed. Cir. 1998) 3, 5

In re Ruffalo,
390 U.S. 544 (1968) 6, 9

Rohm & Haas Co. v. Crystal Chemical Co.,
727 F.2d 1556 (Fed. Cir. 1983) 3

Sheinbein v. Dudas,
465 F.3d 493 (Fed. Cir. 2006) 11

Sperry v. Florida ex rel. Florida Bar,
373 U.S. 379 (1963) 4, 7

Withrow v. Larkin,
421 U.S. 35 (1975) 10

CONSTITUTIONAL AMENDMENTS

U.S. Const., Fifth Amend. 2, 9, 10
U.S. Const., Tenth Amend. 7

STATUTES

5 U.S.C. § 706(2) 2
28 U.S.C. § 2462 11
35 U.S.C. § 2(b)(2)(A) 1, 2, 3, 5
35 U.S.C. § 2(b)(2)(D) 1, 2, 3
35 U.S.C. § 32 . . . . . 1, 2, 3, 9, 10

REGULATIONS

37 CFR § 10.23(b)(5) 4
37 CFR § 10.23(c) 5
37 CFR § 10.23(c)(16) 10
37 CFR § 10.62(a) 5
37 CFR § 10.68(a)(1) 5
37 CFR § 10.77c 5
37 CFR § 10.131(b) 6, 10
37 CFR § 10.158(a)(2) 5

OTHER AUTHORITIES

Administrative Procedures Act § 554(d) 10

Federal Register, Vol. 68, No. 239, Dec. 12, 2003,
Proposed Rules, page 69442 . . . . . 6, 7, 10

REPLY BRIEF FOR PETITIONER

In this case, the Federal Circuit incorrectly enlarges the jurisdictional basis under which the U.S. Patent and Trademark Office ("PTO") may exclude practitioners under 35 U.S.C. § 32. By ruling that the term "before the Office" covers extra-Office communications between a lawyer and his or her clients, the court below improperly ignores the limitations set forth in another section of the patent statute, namely 35 U.S.C. § 2(b)(2)(A), constraining the broadest specific power of the PTO to "the establishment of regulations governing the conduct of proceedings in the Office." The Federal Circuit in effect has hopelessly confused "[legal] practice before the Office" with "proceedings before the Office." Petitioner unlawfully has been disbarred for violating broadly proscribed "neglect" and "conflict of interest" rules, neither of which is restricted specifically to conduct in a "proceeding before the Office." Under 35 U.S.C. § 2(b)(2)(D), the PTO may promulgate regulations regarding attorney conduct, but those regulations can be no broader than the specific power to establish regulations under § 2(b)(2)(A). So here, where Petitioner has been charged with allegedly failing to: "adequately" advise a client about the difference between a utility and design; "promptly" communicate with a client about an Office Action; or explain all the ramifications, foreseeable or otherwise, possibly arising out of a guarantee clause in an invention promoter contract; there are no corresponding regulations which satisfy the limitation of § 2(b)(2)(A), namely regulations or rules which reasonably involve or relate to a "proceeding before the Office." Only by misapplication of *Chevron*, does the Federal Circuit

erroneously interpret the broadly proscribed rules to cover Petitioner's "out of Office" conduct.

The decision below also is in direct conflict with a decision of the Fourth Circuit with respect to the use of discovery in an attorney disciplinary proceeding where there is no disciplinary rule permitting such discovery and the interrogatory contains a threat of the onset of an administrative proceeding in the absence of a response deemed adequate by the PTO.

Finally, the decision below ignores arguments raised by Petitioner regarding his procedural due process rights in a quasi-criminal attorney disciplinary proceeding, thereby shirking the court's review responsibility under 5 U.S.C. § 706(2), and raising serious constitutional questions involving an undue taking under the Fifth Amendment of the Federal Constitution.

For the reasons given above, the Court should grant the petition for writ of certiorari.

REPLY TO RESPONDENT'S STATEMENT

1. While Congress gave the PTO authority to discipline attorneys practicing "before the Office" under 35 U.S.C. § 2(b)(2)(D) and § 32, that authority is limited by the broadest specific powers conferred by Congress under the Act. That broadest specific power is set forth in 35 U.S.C. § 2(b)(2)(A) and comprises "establishing regulations which shall govern *the conduct of proceedings in the Office*" (emphasis supplied). The "core" disciplinary charges in this case relate to communications with Petitioner's clients, not

to proceedings in the Office. They are properly reviewable only by the State Bar Authority where Petitioner is admitted. Even the charge of providing "evasive" answers to an PTO interrogatory, unconstitutional on its face, fails to meet the test of § 2(b)(2)(A) because the questions alleged to be "evasive" related to Petitioner's business relation with an invention marketing company and not to a "proceeding before the Office." Respondent's Brief conspicuously fails to address the overriding relationship between § 2(b)(2)(A) on the one hand and §§ 2(b)(2)(D) and 32 on the other.

2. When Petitioner assumed prosecution responsibility for the 1,000 Gilden design cases, Gilden had not been suspended "based upon his actions concerning those applications." This is a gross distortion of the facts by Respondent. As shown by the administrative record in the PTO, Gilden's suspension was based upon a guilty plea with respect to two counts, namely (i) failing to cooperate with the PTO's Office of Enrollment and Discipline (OED) and (ii) allowing another to affix his signature on a paper filed in an application in the Office, which application is not herein involved. The *Requirements for Information* addressed to the applicants in the Gilden applications at issue in this case, were not yet mailed by the PTO when Petitioner assumed prosecution responsibility and ironically it was Petitioner who obtained the responses from the Gilden clients and furnished them to the PTO. As a matter of law, Petitioner cannot be faulted for continuing to prosecute these applications after the responses were received. *In re Daniels*, 144 F.3d 1452, 1453 (Fed. Cir. 1998); and see *Rohm &*

Haas Co. v. Crystal Chemical Co., 727 F.2d 1556, 1572 (Fed. Cir. 1983).

3. The ALJ found *sua sponte* that Petitioner had provided "evasive" answers to four (4) questions "cherry picked" from Petitioner's response to an OED investigatory letter containing approximately 112 questions. Not a single one of the responses complained of by the ALJ were set forth in the Complaint or litigated during the administrative hearing before that ALJ. Rather, the PTO's lawyers argued in their Post-Hearing Briefs that the alleged violation based upon "prejudicing the administration of justice under 37 CFR 10.23(b)(5)" was grounded upon an exonerated charge of asking certain of his clients to cover certain PTO fees.

4. The Memorandum Opinion of the District Court below speaks for itself.

5. The Opinion of the Court of Appeals for the Federal Circuit below speaks for itself.

REPLY TO RESPONDENT'S ARGUMENT

1. Review of the Federal Circuit's holding in this case is warranted because that decision dangerously enlarges the jurisdictional basis upon which a federal regulatory agency (the PTO) may discipline practitioners recognized to appear before it. Such expansion of disciplinary authority by the PTO was and is not intended by Congress, nor is it constitutional in view of this Court's prior holding in *Sperry v. Florida ex rel. Florida Bar*, 373 U.S. 379, 402 (1963).

The PTO's disciplinary authority can be no broader than the broadest specific power conferred by Congress. Under 35 U.S.C. § 2(b)(2)(A), the PTO has the power only to "establish regulations which shall govern the conduct of proceedings in the Office." Any disciplinary rule promulgated under the statute therefore must reasonably be related to a "proceeding in the Patent Office." The proceedings in the PTO here concerned were the "Gilden design applications" prosecuted by Petitioner after he succeeded attorney Gilden as provided under PTO rules.[1] The Federal Circuit, in *In re Daniels*, 144 F.3d 1452, 1453 (Fed. Cir. 1998), held priorily that Petitioner fulfilled this responsibility well. The "core" disciplinary rules at issue in this case are broadly stated prohibitions with respect to "neglect"[2] and "conflict of interest."[3] They are not even vaguely specific with respect to the found charges of allegedly failing to "adequately" advise a client about the difference between a utility and design, "promptly" communicating with a client about an Office Action, or explaining all the ramifications, foreseeable or otherwise, possibly arising out of a guarantee clause in a contract with a third party. Accordingly, Petitioner never has had notice *in the form of a specific promulgated rule or rules* that his conduct would subject him to disciplinary action based upon the allegations in this case. 37 CFR § 10.23(c) sets forth specific rules arguably related to proscribed "conduct before the Office." Petitioner has not been

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[1] 37 CFR § 10.158(a)(2).

[2] 37 CFR § 10.77c.

[3] 37 CFR §§ 10.62(a) and 10.68(a)(1).

charged with violating any of these specific rules. With respect to the charge of "evasively" answering questions posed in an OED RFI, there is no specific promulgated rule prohibiting such conduct, let alone prohibiting an "evasive" answer to an interrogatory which the Fourth Circuit held in *Goldstein v. Moatz*, 364 F.3d 205 (4th Cir. 2004), to be "utterly lacking in procedural safeguards." While there is a specific rule proscribing a failure to cooperate with OED.[4] Petitioner never has been charged with infracting that rule. It clearly is an unconstitutional taking to disbar a practitioner for conduct that allegedly infringes non-specific promulgated rules. See *In re Ruffalo*, 390 U.S. 544 (1968), (In any attorney discipline proceeding, the charges must be known in advance of any hearing.) The PTO and the Federal Circuit have erroneously interpreted the Patent Statute under *Chevron*[5] to give the PTO the power to disbar for violation of any rule whatsoever even for innocuous conduct. Petitioner is unaware of anything in the legislative history of the Patent Act giving credence to the proposition that Congress intended the PTO to have such sweeping authority.

Respondent's position in this case that the alleged rule infractions are grounded on proper statutory authority is further undermined by the PTO's proposed new disciplinary rules (Part 11) published at *page 69442, Federal Register, Vol. 68, No. 239, Friday, December 12, 2003, Proposed Rules*. In these proposed rules, the PTO attempts to add "new" specific

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[4] 37 CFR § 10.131(b).

[5] *Chevron U.S.A. Inc. v. NRDC*, 467 U.S. 837 (1984).

regulations making the conduct alleged to be infractions in the present case, violations under a greatly expanded Code of Professional Responsibility (Part 11). Not insignificantly, the PTO also adds proposed rule § 11.19(c)(1) which attempts to expand the PTO's disciplinary jurisdiction to include "out of office" matters. By so doing, the PTO concedes that the found infractions do not violate the present Code (Part 10) and that the PTO's jurisdiction is limited to "proceedings before the Office" as annunciated in specific promulgated rules to such effect.

Respondent's argument that *Sperry* does not apply to this case similarly is without merit. The "neglect" and "conflict of interest" rules relied upon by the PTO are borrowed from the ABA Rules of Professional Responsibility. They are not specific to the found charges of misconduct in this case. Under the Tenth Amendment of the Federal Constitution, only the State where Petitioner is admitted has the power to discipline under such broadly proscribed rules. *Sperry* at page 403 ("The Tenth Amendment states but a truism that all is retained which has not been surrendered").

The present case is a blatant example of federal agency "scapegoatism." Having let attorney Gilden wiggle off the hook by entering into a settlement agreement with him, the PTO now is prosecuting Petitioner to advance its *ultra vires* policy of "stamping out" invention marketing companies. As pointed out above, Gilden was not suspended for unethical practices in connection with the very patent applications at issue here as erroneously stated by Respondent. Nor did Petitioner "unapologetically

continue most of the same abusive practices -- while committing additional ethics breaches..." as further untruthfully stated by Respondent without reference to any support in the pleading or in the exclusive record. There is none. Petitioner was not only unfairly targeted for discipline from the outset of this proceeding, he was unconstitutionally prejudged when the then Deputy Commissioner of Patents boasted in public in September, 1994, long before any administrative hearing in this case, that "we have taken action against [Petitioner] to take [him] off the rolls."[6]

2. Petitioner's reliance upon *Goldstein*[7] is anything but misplaced. The Fourth Circuit in *Goldstein* held that the only way to challenge abusive use of OED interrogatories by the PTO was to bring a private "Bivins-type" lawsuit against the PTO's investigator. On remand, and fearful of the court ruling the OED RFI's unconstitutional on their face, the PTO "tactically mooted" the action by dropping all disciplinary charges against attorney Goldstein. See *Goldstein v. Moatz*, 445 F.3d 747 (4th Cir. 2006). That is the reason the court held Goldstein was not a prevailing party entitled to attorney fees. The reason given by Respondent at page 12 namely that "precisely because [Goldstein] was not a prevailing party" is misleading.

Respondent's disparagement of the Fourth Circuit ruling in *Goldstein*, shared by the Federal Circuit,

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[6] Pet. App. 55a-56a.

[7] *Goldstein v. Moatz*, 364 F.3d 205 (4th Cir. 2004).

underscores why it is so crucial that certiorari be granted in this case. There is an irreconcilable conflict between the sister Circuits on the question of whether the use of OED RFIs, not permitted under any PTO disciplinary rule, which "utterly lack procedural safeguards," and which contain the threat of invoking an administrative hearing if not responded to, are appropriate, let alone constitutional under the Fifth Amendment. In the present case, the PTO abusively directed more than about 20 such disciplinary letters at Petitioner over a five year period before belatedly bringing the underlying § 32 administrative proceeding.[8] Many, if not most of the OED RFIs (and Petitioner's responses) were not used to support such proceeding, they merely were discarded or vanished into thin air. This case is the "posterchild" for the abusive use of OED RFIs by the PTO. It is long past due that such a practice, fundamentally lacking in due process, be reviewed and overturned by this court.

3. The failure to specify which questions in a 112 question interrogatory were considered to have been "evasively answered" before the administrative Hearing so that Petitioner could prepare an adequate defense to this charge is fundamental to procedural due process especially where, as here the proceeding is a quasi-criminal attorney disciplinary proceeding seeking to deprive Petitioner of his right to earn a living and his honor. *In re Ruffalo*, supra. As conceded by Respondent, there is no disciplinary rule that requires "non-evasive" answers to an interrogatory not permitted by any disciplinary rule, whatever the term

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[8] Pet. App. 23a.

"evasive "means in this context. The only rule in this respect requires a "duty to cooperate" and inasmuch as Petitioner answered all questions posed he met that duty. In any event, Petitioner was not charged with violating the "duty to cooperate" rule or rules and therefore is exonerated of any such alleged violation.[9] The PTO's proposed new disciplinary rules (Part 11) add new rule § 11.22(l) which specifically makes "evading answering to an OED RFI" a ground of misconduct under § 11.804(d). This corroborates that no such specific rule is contained in Part 10, the rules governing this proceeding. The PTO's failure to accord Petitioner his procedural due process rights in an administrative proceeding raises constitutional issues under the Fifth Amendment. Certiorari should be granted for this reason alone.

4. Any violation of § 554(d) of the Administrative Procedures Act that leads to disbarment of an attorney involves questions of "undue taking" under the Fifth Amendment and therefore merits certiorari for this reason. There is no dispute that Harry Moatz both investigated Petitioner and then, and only then, after being promoted to Director of OED, "initiated" the underlying § 32 administrative Hearing in this case. Such "participation" violates the spirit if not the letter of § 554(d) and in any event comes within the exception articulated by the Supreme Court in *Withrow v. Larkin*, 421 U.S. 35, 58 (1975), (A court is not precluded "... from determining, from the special facts and circumstances present in the case before it, that the risk of unfairness is intolerably high."). The

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[9] See 37 CFR §§ 10.131(b) and 23(c)(16).

failure of the Federal Circuit to consider this "lack of due process" issue is unfathomable.

5. There can be no waiver of Petitioner's argument that the five-year statute of limitations imposed by 28 U.S.C. § 2462 bars excluding an attorney from practice before the PTO because Petitioner throughout this protracted litigation urged that "undue delay" in bringing the law suit by the PTO was an "extenuating circumstance" to be considered in determining the sanction in the case. See Pet. App. pages 81a-82a.

There is no dispute that the core violations occurred more than five years preceding the filing date of the Administrative Complaint. Whether 28 U.S.C. § 2462 precludes disbarring Petitioner on the administrative record is a pure issue of law. The Federal Circuit, in discharge of its *de novo* review responsibility could have and should have applied § 2462 to the facts of this case, particularly in view of the Federal Circuit's prior decision in *Sheinbein v. Dudas*, 465 F.3d 493 (Fed. Cir. 2006), and the fact that Petitioner raised the very same issue in his Supplemental Brief, ordered by the Federal Circuit (App. infra. page 8a). See *Elder v. Holloway*, 510 U.S. 510 (1994).

CONCLUSION

For the reasons given above, the petition for writ of certiorari should be granted.

Respectfully submitted,

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